

# **Federal Home Loan Bank of Topeka**

## **Community Support Program and Community Lending Plan**

**2002**

**Adopted by the Bank's Board of Directors 12/21/2001**

### **Introduction**

The 2002 Community Support Program and Community Lending Plan (CSP/CLP) of the Federal Home Loan Bank of Topeka (Bank) is established to promote and enhance housing and community development in the Tenth District through member stockholders. Assistance takes the form of targeted grant and advance programs, technical assistance and other activities. The CSP/CLP is not intended to be a complete description of all of the Bank's programs and activities directed at enhancing housing and community development.

The Bank's ongoing community support efforts and initiatives include the Rural First-time Homebuyer Training Program, the Affordable Housing Program (including the Rural First-time Homebuyer Program), the Community Housing Program, Community Housing Program *Plus* targeted to financing for rental housing, matching grants and awards, technical assistance and outreach (including the Rural Technical Assistance Program), as well as partnerships with federal, state and local housing and community development organizations. Also included is the Community Development Program, a continuation of the 2000 community lending initiative which combines the Rural Development Advance and Urban Development Advance programs authorized in late 1998 by the CICA regulations with the existing economic development activities of the Community Investment Program.

### **Research**

The Bank will annually conduct research in the Bank's district to identify opportunities for stockholders to increase the availability of affordable housing finance, community development finance, and financial and credit services in underserved neighborhoods and communities. In conducting research and identifying opportunities, the Bank will consult with stockholders, nonmember borrowers, the Affordable Housing Advisory Council (AHAC) and public and private housing and economic development organizations within the district.

Market research is conducted every year through the use of both primary or secondary sources. Primary sources include interviews, surveys and direct observations. Secondary sources involve reviewing research and analysis prepared by other entities. The primary sources used by the Bank included consultation with members and economic development groups through a survey of stockholders and economic development organizations within the Bank's four-state district and consultation with the AHAC. Secondary sources include a review of materials related to some of the classes of CICA-targeted beneficiaries such as plans for designated Enterprise

Zones, Enterprise Communities and Champion Communities. Other materials reviewed but not related to CICA targeted beneficiaries include each state's Consolidated Plan for Housing as well as Consolidated Plans prepared for larger communities, Census data, publications applicable to the district, rural resources and state and local sources. The Bank also conducted a joint meeting of the board of directors and the AHAC to discuss needs in the district. The results of the research are summarized in Appendix A.

The Bank also conducted the following general research in the preparation for the 2002 CSP/CLP. The Bank consulted secondary sources similar to those consulted in 1999 including updated statewide Consolidated Plans. The Bank will also continue to seek information on opportunities to enhance and promote housing and community development finance from stockholders, nonmember borrowers, the AHAC and public and private housing and economic development organizations as part of the ongoing administration of the Bank's programs and through participation in seminars and forums.

The Bank distributed a survey to for-profit and not for profit developers of rental housing in the fourth quarter of 2001. The analysis of the survey results will be conducted in the first quarter of 2002. The survey of rental property developers and owners is a follow up to the system-wide rental housing meeting held in the first quarter of 2001 in Washington. After consultation with the Bank's Housing Committee and AHAC, the Bank initiated an effort to evaluate the unmet needs related to financing for rental housing in the Bank's district.

### **Technical Assistance and Outreach**

The Bank's community investment department staff will provide technical assistance to stockholders and housing development organizations in the district on an ongoing basis, including assistance in the preparation of AHP, CHP and CDP applications. Technical assistance activities include presentations and co-sponsorship of affordable housing workshops and seminars, individual on-site consultations with stockholders and housing development organizations, continuous availability through phone contacts, and contacts to all new stockholders upon approval of Bank membership. Information and links to other resources are provided on the Bank's web site at [www.fhlbtopeka.com](http://www.fhlbtopeka.com).

The Bank will offer the Rural Technical Assistance Program (RTAP) to assist rural stockholders and communities in addressing local needs for affordable housing and economic development. The Bank will work cooperatively with a stockholder, local government entities and other interested parties to develop an understanding of local economic development and housing needs, both current and long-term.

Technical assistance under the RTAP includes but is not limited to:

- 1) Consulting with the participating groups on assessing and responding to economic development and housing needs, including the identification of organizations that can assist with those tasks.
- 2) Assisting in the identification and documentation of any financing resources applicable to the identified economic development or housing projects.
- 3) Promoting the use of the Bank's products and programs.

- 4) Development of a website devoted exclusively to economic development information and enhancement of that portion of the Bank's web site devoted to RTAP.

### **Affordable Housing Program including Rural First-time Homebuyer Program**

The Bank's Affordable Housing Program (AHP), including the Rural First-time Homebuyer Program (RFHP) and Targeted Ownership Program (TOP) for special needs, first-time homebuyers, is set forth in the Bank's 2002 AHP Implementation Plan.

### **Community Housing Program**

The Bank's Community Housing Program (CHP) will provide advances to stockholders to finance homeownership programs and rental projects for targeted households. CHP advances will be priced at the Bank's cost of funds plus reasonable administrative costs. CHP advances will be governed by the Bank's Member Products Policy.

CHP advances will be available for:

1. Homeownership programs targeted to rural or urban households at or below 115 percent of area median income,
2. Rental projects
  - (a) Rural or urban rental projects in which at least half the units will be occupied by tenants with incomes at or below 115 percent of area median, or
  - (b) Rural or urban rental projects in which at least half the units are affordable to tenants with incomes less than 115 percent of the area median, regardless of the actual incomes of the tenants occupying the units.

CHP advance applications will be accepted at any time during the year. CHP advances can be used for the following purposes but can be used only for loans funded no more than 90 days before the effective date of the CHP advance approval.

- Construction, rehabilitation, purchase, or to refinance existing loans when refinancing is necessary to rehabilitate or preserve the housing as affordable.
- In conjunction with HUD, FHA, state and local governments, and secondary market agency programs.
- To purchase state housing finance agency bonds or mortgage-backed securities representing pools of loans that could be funded directly with CHP advances.
- To fund customer investment in lender consortia or affordable housing tax credits as long as the underlying mortgages could be funded directly with CHP advances.

### **Community Housing Program *Plus* (CHP *Plus*)**

Under CHP *Plus*, the FHLBank will make an advance to a member to allow the member to offer a discounted lending rate for targeted rental housing projects.

CHP *Plus* advances will be made by the FHLBank at a rate equal to or below the FHLBank's cost.

**Eligibility** A CHP *Plus* advance is available for qualifying CHP rental housing projects except that the targeted income level is reduced from 115 percent in the standard program to 80 percent of area median.

**Limitations.**

The maximum markup the member may take in making the underlying CHP *Plus* qualifying loan is 150 bp (e.g., if the Bank makes a CHP *Plus* advance at a 5.5 percent rate, the qualifying borrower may not be charged more than 7 percent).

The maximum term of a CHP *Plus* advance is 20 years. The term may be extended for up to 30 years but the rate will adjust to standard CHP pricing at the end of the first 20 years. A CHP *Plus* advance may also be combined with regular CHP advances and the term of the combined advance may extend to 30 years.

The maximum amount of a CHP *Plus* advance is \$1,000,000 per project (a project being a loan or loans to one entity or person by the member). The total number of projects one member may obtain CHP *Plus* advances for in a single year is limited to two.

The maximum amount of CHP *Plus* advances the Bank will make in any one year is \$25 million.

### **Community Development Program**

The Bank's Community Development Program (CDP) will provide advances to stockholders to finance commercial and economic development activities that benefit families earning up to 100 percent of area median income in urban areas and up to 115 percent of median income in rural areas or are located in neighborhoods with incomes at or below the targeted income levels or benefit small businesses. CDP advances will be priced at the Bank's cost of funds plus reasonable administrative costs. CDP advances will be governed by the Bank's Member Products Policy.

Projects will qualify for funding by meeting one of the following criteria:

1. Any business that meets the SBA definition of small business concern regardless of location or employee wage levels,
2. Projects located in one of the following CDP qualified areas:
  - Rural place, census area or neighborhood with a median income at or below 115% of the area median,
  - Urban place, census tract or neighborhood with a median income at or below 100% of the area median,
  - Federal Champion Community,
  - Federal Enterprise Community,
  - Federal Empowerment Zone,
  - Indian Area as defined by the Native American Housing Assistance and Self-determination Act (NAHASDA),
  - Areas and property eligible for Brownfield federal tax credit,
  - Areas designated by the Department of Defense as affected by the closing of a military base,

Community Adjustment and Investment Areas (NAFTA affected communities), and Federally declared disaster areas.

3. Projects benefiting business in which at least 51 percent of the employees:  
Earn less than 115 percent of the area median income in rural areas, or  
Earn less than 100 percent of the area median income in urban areas.

CDP advance applications may be accepted at any time during the year. CDP advances can be used for the following purposes but can be used only for loans funded no more than 90 days before the effective date of the CDP advance approval.

- Loans for construction, rehabilitation, purchase, or to refinance existing loans.
- In conjunction with SBA, HUD, USDA Rural Development or other state and local governments, and secondary market agency programs.
- To purchase revenue bonds or mortgage-backed securities representing pools of loans that could be funded directly with CDP advances.
- To fund customer investment in lender consortia or tax credits as long as the underlying mortgages could be funded directly with CDP advances.
- Economic development projects include commercial, manufacturing, social service, public facility projects and services, private/public infrastructure, and small business loans.

#### *CHP and CDP Performance Goals*

The Bank's target for the Community Development Program in 2002 is the approval of advances for the number of separate CHP or CDP projects as specified in the Bank's Strategic Business Plan.

#### **Rural First-time Homebuyer Education Program**

The Bank will provide direction and maintain financial support for the Rural First-time Homebuyer Education Program. The Bank created a training curriculum for use by stockholders and nonprofit housing counseling agencies in counseling prospective homebuyers on homeownership. The Bank also funded a pilot rural delivery system for homebuyer education courses. The Bank will commit \$100,000 to assist rural homeownership counseling in 2002 while actively encouraging participating organizations to seek supplemental funding from other sources. Goals for 2002 are to support rural counseling in all four states in the district especially in those areas with RFHP participating stockholders.

#### **Matching Grants**

The Bank will donate a total of \$25,000 to community-based housing efforts within the district. These grants will match stockholder contributions up to a maximum of \$500 per award. Grant recipients will be evaluated against the concepts and goals of the community support regulations.

#### **Recognition Awards**

The Bank will recognize exemplary performance by stockholders in community support activities through awards such as plaques and certificates. These activities include stockholder participation in the RTAP, RFHP, AHP, CHP and CDP, as well as stockholder community support activities not involving Bank programs. The Bank will include award presentations as

part of Bank seminar programs, ground breaking or ribbon cutting ceremonies, or other appropriate circumstances. The Bank will also participate in the National Community Partnership awards to recognize an affordable housing and community development initiative undertaken by the Bank's stockholders.

**Investments**

The Bank will continue to target the acquisition of taxable securities of housing finance agencies (HFAs), including securities issued by both in-district and out-of-district HFAs.

**Targeted Lending**

The Bank will continue to target lending to specific mission-related entities including non-member borrowers, Native American owned stockholders and community development financial institutions.

## **Appendix A**

### **Research Findings Summary**

#### **Housing Needs**

The following is a consensus of housing needs and issues consistently mentioned in the survey of stockholders and development groups, the special meeting of the Bank's board of directors and AHAC and the state housing and community development plans reviewed for the initial assessment report. The list is not presented in any order of priority.

- Impact of housing on state and local economic development
- Development of local communities' capacity to address housing needs
- Promotion of public private partnerships to address housing issues
- Home mortgage lending and rural lenders
- Pre-development costs funding
- Owner-occupied housing with cost less than \$75,000
- Rental housing with rents less than \$500
- Multifamily financing
- Funding for capital improvements and infrastructure for housing
- Shortage of units developed in the last ten years, especially in areas of economic growth
- Preservation of existing housing
- Lack of homebuyer education, especially in rural areas
- Lack of builders and developers of affordable housing, especially in rural areas
- Housing needs of moderate-income households
- Housing for the homeless and for persons with special needs

#### **Community Lending Needs**

The community lending or economic development needs consistently cited in the reports, surveys and meetings conducted for the initial assessment were:

- The importance of housing and local economic development
- Development of capacity for localities to address economic development needs
- Financing for infrastructure to promote economic development
- Small business financing
- Capital for start-up of new businesses and business expansion
- Targeting programs to areas of greatest need and/or growth

#### **Rural Lenders and Rural Credit Needs**

- Credit for rural areas other than credit for agriculture
- Access to loanable funds

**Appendix B**  
**Needs Addressed**

	AHP	CHP	CDP	RTAP Housing	RFHP	Rural Counseling	Investments	Targeted Lending	RTAP Econ. Dev.
<b>Housing Needs</b>									
Impact of housing on state and local economic development				✓					
Development of local communities' capacity to address housing needs				✓					
Promotion of public private partnerships to address housing issues	✓			✓					
Home mortgage lending and rural lenders						✓	✓		
Pre-development costs funding									
Owner-occupied housing with cost less than \$75,000	✓	✓			✓		✓	✓	
Rental housing with rents less than \$500	✓	✓					✓	✓	
Multifamily financing	✓	✓							
Funding for capital improvements and infrastructure for housing			✓						
Shortage of units developed in the last ten years, especially in areas of economic growth									
Preservation of existing housing	✓	✓			✓				
Lack of homebuyer education, especially in rural areas						✓			
Lack of builders and developers of affordable housing, especially in rural areas									
Housing needs of moderate-income households		✓					✓	✓	
Housing for the homeless and for persons with special needs	✓								
<b>Economic Development</b>									
The importance of housing and local economic development				✓					✓
Development of capacity for localities to address economic development needs				✓					✓
Financing for infrastructure to promote economic development			✓						✓
Small business financing			✓						✓
Capital for start-up of new businesses and business expansion			✓						✓
Targeting programs to areas of greatest need and/or growth			✓						✓
<b>Rural Lenders and Rural Credit Needs</b>									
Credit for rural areas other than credit for agriculture			✓						✓
Access to loanable funds			✓					✓	✓